

Message Text

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ORIGIN OPIC-12

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: EFIN, VE

SUBJ: UPDATE OF EMB COMMENT ON REYNOLDS APPLICATION FOR OPIC
INSURANCE (NO. 529-72-087)

REF: CARACAS LETTER DTD 7 NOV 73 FROM WHTWADDLE RE SUBJECT
APPLICATION

1. OPIC WAS IN FINAL STAGE OF DRAFTING CONTRACT TO COVER
REYNOLDS INTERNATIONAL INC. EQUITY INVESTMENT OF DOLS 2.4
MILLION FOR SEP 71 - JULY 74 EXPANSION OF ALCASA WHEN NEW
VENEZUELAN FOREIGN INVESTMENT POLICIES ANNOUNCED. DETAILS OF
INVESTMENT ARE IN INVESTOR'S FORMAL APPLICATION (OPIC FORM 52), COPY
OF WHICH WAS FURNISHED EMB IN MARCH 1973. DOES EMB PERCEIVE
REASONS TO CHANGE COMMENT PROVIDED OPIC IN REF LETTER IN VIEW
OF INCREASED NATIONALISTIC THRUST OF GOV FOREIGN INVESTMENT
POLICY AND PRESIDENT PEREZ' 29 APR SPEECH IN WHICH HE ANNOUNCED,
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INTER ALIA, SUSPENSION OF RECENTLY NEGOTIATED (MARCH 74)

ALCASA CONTRACT WITH TWO JAPANESE FIRMS FOR DOLS200-DOLS 300
MILLION ALUMINUM FABRICATING PLANT?

2. FYI: (A) REYNOLDS DROPPED REQUEST FOR INSURANCE OF DOLS 3
MILLION IN REINVESTED RETAINED EARNINGS, WHICH HAD BEEN SUBJECT
OF PRIOR OPIC-EMB CORRESPONDENCE; (B) OPIC DOES NOT BELIEVE
SUSPENSION OF ALCASA/JAPANESE CONTRACT MENTIONED ABOVE RELATES
TO EXPANSION OF ALCASA FACILITIES, WHICH IS PROJECT TO WHICH
INSURED INVESTMENT IS BEING APPLIED; (C) REYNOLDS HAS JUST
ADVISED OPIC THAT PEREZ INFORMED THEM SEVERAL WEEKS AGO THAT HE
INTENDS TO HAVE CVG MANAGE ALCASA IN LIEU OF REYNOLDS; (D)
REYNOLDS' CONTRACT WOULD BE LAST IN SERIES OF 11 ADVANCED APPLICATION
S (FROM SIX
DIFFERENT INVESTORS) WHICH OPIC DECIDED TO PROCESS TO COMPLE-
TION AFTER SUSPENSION OF VENEZUELA PROGRAM IN MARCH 1973.
CONTRACT WOULD INCLUDE PROVISIONS TO KEEP INVESTOR "OUT FRONT"
IN POST-CLAIMS LEGAL SITUATION SO AS TO AVOID OPIC HAVING TO
ASSERT SUBROGATED CLAIMS IN ITS OWN RIGHT. CONTRACT WOULD BE
CANCELLABLE BY OPIC WITH RETURN OF ALL FEES AB INITIO IF GOV
IMPLEMENTATION OF ANDEAN FOREIGN INVESTMENT CODE SHOULD LEAD TO
CLAIM. OPIC WOULD CONSIDER ADDING FURTHER EXCLUSIONARY LANGUAGE
IF OTHER ACTIONS INDICATED BY PEREZ ADMINISTRATION--SUCH AS CVP
TAKING OVER MANAGEMENT OF ALCASA--SO WARRANT. END FYI.
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